



# ***COMMITTEE of the WHOLE***

## ***CITY COUNCIL***

**MINUTES**  
**July 7, 2008**  
**5:00 P.M.**  
**Council Office**

### **COUNCIL MEMBERS PRESENT:**

V. Spencer, S. Marmarou, M. Goodman-Hinnershitz, J. Waltman, S. Fuhs, D. Sterner, M. Baez

### **OTHERS IN ATTENDANCE:**

D. Cituk, M. Vind, C. Younger, L. Kelleher, S. Katzenmoyer, C. Kanezo, L. Himeback, R. Hottenstein, T. McMahon, M. Mayfield, B. Reinhart

Vaughn Spencer, President of Council, called the Committee of the Whole meeting to order at 5:07 p.m.

### **I. External Audit**

Ms. Himeback of Herbein & Co. gave an overview of the external audit. She noted that the audit report is in its final form. There is a deficit of \$4.3 million at the close of 2007. Total revenues were \$1.6 million over budget. Total expenses were \$3.6 million over budget. An Administration's response and corrective actions will be added. She noted that the City has received a qualified opinion. She noted that the Accounting Department is making progress. She also noted that expectations have been raised and are higher. The Accounting Department still needs much improvement.

Ms. Himeback also gave an overview of the water and sewer account audit.

The findings were reviewed. It was noted that problems with the City's software continue. Ms. Goodman-Hinnershitz voiced her concern that the City's current approach is not working. Some findings identified in previous years are:

- The need for accounting personnel to work efficiently and in a timely manner. Accounting staff need to have clearly defined responsibilities and management must hold staff accountable to those responsibilities.

- Accounting reconciliations are not performed on a timely basis and general ledger accounts are incomplete.
- Utility billing is not processed in a timely manner.
- Bills are not verified before mailing and many errors are made.
- Grant reporting in the IDIS system is not timely.
- Grant monies are not reflected in the project accounting system and are not drawn down as expenditures are made.
- Project accounting contracts and invoices are not properly filed.
- Inaccurate reporting of personnel to the State affects pension funding.
- Untimely reporting of liquid fuels caused funds to be held by the State.

There was a discussion of information technology and the impact it has on the City's finances. Better control of software changes are needed. Policies and procedures are necessary.

Mr. Waltman questioned if the Administration would have a point by point response to the findings. Mr. Hottenstein noted that it would be in the final audit report.

Mr. Spencer questioned if cross-training in the Information Technology Department would occur. Ms. Himeback noted that this lack of cross-training could be the cause of serious problems.

Ms. Goodman-Hinnershitz commented on the progress she has seen. She would like the Administration to plan to improve the critical issues. She is troubled by the lack of grant tracking. Mr. Hottenstein noted that improvement needs to continue especially since the requirements are more stringent.

Mr. Spencer requested progress reports throughout the year, not just at audit time. He added that it is the responsibility of the Finance Director to correct the issues identified.

The Audit will be officially presented to Council at the July 28 meeting.

## **II. Pagoda Foundation**

Mr. Hottenstein noted that the Pagoda is both an asset and liability for the City. He noted the need for large repairs to the infrastructure. A draft of the by-laws of the Pagoda Foundation were distributed and reviewed. This draft is modeled after the one used by the Reading School District and the Reading Public Museum.

Mr. Spencer questioned if Mr. Younger was involved in drafting the by-laws. Mr. Hottenstein noted that he was not, Mr. Mooney was consulted.

Ms. Goodman-Hinnershitz reiterated that these by-laws are based on those used by the Reading School District and the Reading Public Museum. She noted that the Pagoda Foundation would be empowered to perform short and long-term planning. She noted the need for a large board to involve many types of people from all over Berks County. She noted that they would focus on operations and fundraising. She noted that the Foundation would not be operational until 2009.

Ms. Goodman-Hinnershitz noted that there are people ready to serve on this Foundation Board. She hoped that Council would endorse the concept so that this Board can begin meeting.

Mr. Fuhs questioned if the City has applied for 501 (C) 3 status for the Foundation. Mr. Hottenstein noted that it had not, but that Mr. Mooney will assist.

Ms. Goodman-Hinnershitz requested Council pass a Resolution endorsing the Foundation at the July 14 meeting.

### **III. Debt Restructuring**

Mr. Vind of Financial Solutions noted that Mr. Waltman's suggestions were followed and the present value costs were reduced by several hundred thousand dollars in this update. This would decrease the overall debt and decrease the number of years to pay back the debt. A good interest rate can be obtained and this plan offers the maximum flexibility to the City.

Mr. Spencer questioned if future economic development is being considered in this debt proposal. Mr. Hottenstein noted that it is not. These are very conservative numbers.

Mr. Vind expressed his hope that this ordinance be introduced at the July 28 meeting and enacted at the August 11 meeting. This will allow the closing to be completed in September.

Mr. Waltman noted the goal of finding more recurring income.

### **IV. Rezoning of Preservation Zone at Fritz's Island to Allow Municipal Uses**

Ms. Mayfield explained that Fritz's Island is located in a preservation zone.

Ms. Mayfield noted that this was overlooked during the expansion of the waste water treatment plant and the building of the fire training center. This change should be made before the new firing range is built.

Mr. Spencer questioned why the firing range would be built there now when Mr. Jones had commented in the past that it would not suit that area due to its location in a floodplain.

Mr. Marmarou questioned if this would be a public range. Ms. Mayfield stated that it would be for Reading Police Department personnel only.

The allowance of municipal uses will be added as a conditional use. This ordinance will be introduced at the July 14 meeting.

## **V. Housing Permit Update**

Mr. Reinhart reviewed the number of applications processed to date. He noted that approximately 2,000 letters will be sent to landlords who did not begin the permit process.

Ms. Kelleher suggested contacting President Judge Schmehl to inform him of the possibility that these 2,000 property owners could result in hearings before the Magisterial District Justices.

Mr. Younger questioned if one District Justice could handle these issues exclusively. Ms. Mayfield noted that she is still trying to get this accomplished.

Mr. Waltman noted the tragedy last week has brought this issue to the forefront.

Mr. Spencer voiced his concern that if complaints were made against this property why other issues were not addressed.

The meeting was adjourned at 7:00 pm.

Respectfully Submitted

By: \_\_\_\_\_  
Linda A. Kelleher, City Clerk